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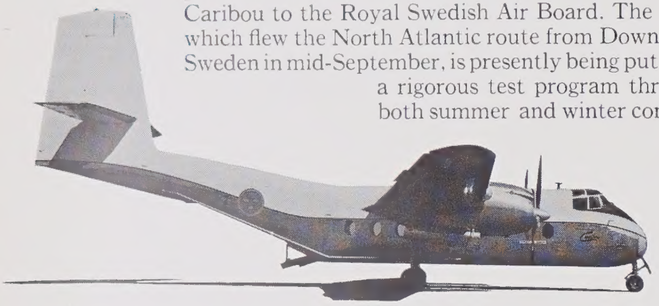
annual report - nineteen sixty two

THE DE HAVILLAND AIRCRAFT OF CANADA LIMITED

MAY 21 1963

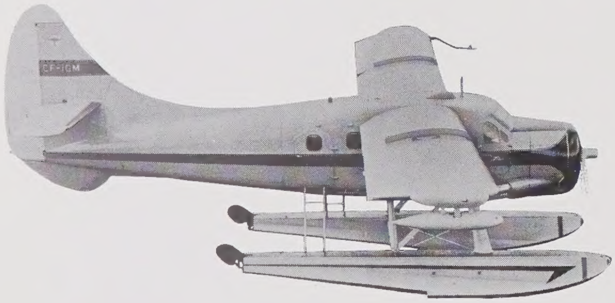
AROUND THE WORLD WITH DHC IN 1962

SWEDEN The first Caribou penetration of the European market was made in 1962 with the delivery of a Caribou to the Royal Swedish Air Board. The aircraft, which flew the North Atlantic route from Downsview to Sweden in mid-September, is presently being put through a rigorous test program throughout both summer and winter conditions.



FORMOSA The first Caribou delivery to a commercial operator was made early in 1962. Civil Air Transport (CAT) of Taiwan (Formosa) purchased two Caribou for employment on their extensive charter and contract services throughout the Far East. The aircraft were fitted with long-range auxiliary fuel tanks and flown to Taiwan via the North Pacific.

OTTER The Ontario Department of Lands and Forests added 2 Otters to its forest protection fleet in 1962, which now comprises 42 Beavers and 10 Otters. Otters were delivered in Canada for air charter service and mineral exploration with export Otters going to Ghana and into service with the United Nations.



BEAVER Beavers were delivered during the year to Alaska for charter operations in North America's arctic regions. Beavers went to the Argentine Antarctic Expedition and, in contrast, for agricultural work in Pakistan and South Africa. In Canada Beavers were purchased by two heavy construction companies and by others for mineral exploration, forest protection, and remote area police patrol.

U.S. ARMY In September a contract for 48 Caribou CV-2B STOL transports to be delivered to the U.S. Army through 1964 was confirmed. The CV-2B Caribou is the largest fixed-wing aircraft in the U.S. Army's logistic air transport support inventory. During the 1962 Laotian crisis, the 18 pictured Caribous took off from Fort Benning, Georgia to effect the first "fly away" deployment of an Army Aviation unit to an overseas destination. They flew via the North Atlantic route and Europe on the 11,000 mile flight from Georgia to Thailand.

The Managing Director Reports.....

Sales in 1962 were a record high for the period since World War II. In mid-year de Havilland purchased the Avro Aircraft and Canadian Applied Research divisions of Hawker Siddeley Canada Ltd. at Malton, Ontario — the land, buildings, equipment and most of the contracts in hand. This involved more than thirteen and one-half million dollars of assets, and was completed before the end of the year for cash. The operations at Malton did not contribute to earnings in 1962, although the sales from the Malton plants made up about 12% of total company sales. We have undertaken a strong sales effort to increase substantially the volume of work at Malton in aircraft components, including F-104 tanks and air scoops, for the U.S.A. and NATO countries.

De Havilland now has about two and one-half million feet of manufacturing and hangar space at Downsview and Malton. The Downsview factory remains fully occupied, and we are optimistic that a large part of the Malton facilities will shortly be profitably employed.

Approval has been given and initial funds provided for de Havilland to design a prototype Hydrofoil Ship for the Royal Canadian Navy. This 180-ton craft will be built to undergo sea trials and to serve as a vehicle for detection and weapons system testing.

The United States Army together with the Canadian Department of Defence Production have awarded us a contract to develop a 5-ton payload STOL tactical air transport. D.D.P. and de Havilland will share with the U.S. Army the cost of producing a test quantity of this new aircraft, which evolves from the Caribou and will be turbine powered.

The Caribou I is now in volume production. About 80 have been delivered and orders on hand assure production through 1964. This aircraft is providing exceptional performance and reliability in service in Asia, Africa, Europe and the Middle East, as well as North America. Beavers and Otters continue in moderate demand, particularly in the export market.

Our Special Products Division has joined with the former Canadian Applied Research division of Hawker Siddeley and has relocated in the former Canadian Applied Research plant at Malton. This division is now known as the Special Products and Applied Research Division (SPAR). It has important contracts in the U.S. military and aerospace fields, as well as maintaining overhaul facilities for instruments, propellers and controllers.

The Board of Directors has been enlarged and strengthened by the addition of Mr. T. J. Emmert, President and Chief Executive Officer of Hawker Siddeley Canada Ltd., and Mr. N. E. Rowe, who is also a Director of Hawker Siddeley Aviation Ltd. in England.

The current year will be a challenge for de Havilland, particularly in the engineering and design areas. Total present staff of about five thousand will require to be increased.

Integration with Malton required much extra effort. I wish to thank the staff for a splendid job of work, as usual.

Yours sincerely,

P. C. GARRATT,
Vice-President and Managing Director.

April 5th, 1963

THE DE HAVILLAND AIRCR

(Incorporated under

Balance Sheet as at

Assets

CURRENT ASSETS:				
Cash			$ 1,370,950	
Accounts receivable:				
Trade, less allowance for doubtful accounts		$ 6,192,707		
Sundry debtors, deposits and advances		245,163	6,437,870	
Due from affiliated companies			622,114	
Inventories, at lower of cost or market:				
Raw materials, parts and supplies		$ 7,609,393		
Work in progress		16,967,411		
Finished aircraft		895,921		
		$25,472,725		
Less Progress payments		19,223,546	6,249,179	
Advances on contracts			64,428	
Prepaid expenses			105,172	$14,849,713
NON-CURRENT PORTION OF ACCOUNTS RECEIVABLE FOR AIRCRAFT SOLD				1,083,689
INVESTMENTS IN, AND ADVANCES TO, AFFILIATED COMPANIES:				
Shares, at cost			$ 4,405	
Advances			13,364	17,769
FIXED ASSETS:	**Cost (see note)**	**Accumulated Depreciation**	**Net**	
Land, buildings and property improvements	$19,761,909	$ 8,102,328	$11,659,581	
Machinery, equipment and furniture	12,802,340	10,378,730	2,423,610	
Tractors, automotive equipment and aircraft	1,776,972	1,261,373	515,599	
	$34,341,221	$19,742,431		14,598,790
DEFERRED DEVELOPMENT				3,175,000
PATENTS AND MANUFACTURING RIGHTS				2
				$33,724,963

Note:

During the year certain fixed assets were acquired from an affiliated company at their
company, together with the accumulated depreciation thereon.

Approved on beha

P. C. GARRATT, Director

Auditors'

To the Shareholders of
The de Havilland Aircraft of Canada, Limited:

We have examined the balance sheet of The de Havilland Aircraft of Canada, Limite
year ended on that date. Our examination included a general review of the accounting
considered necessary in the circumstances.

In our opinion the accompanying balance sheet and related statement of income and ret
1962 and the results of its operations for the year ended on that date, in accordance wit
the preceding year.

Toronto, Canada,
March 28, 1963.

AFT OF CANADA, LIMITED

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ecember 31, 1962

Liabilities

CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$4,980,347	
Due to affiliated companies	136,406	
Deposits and other payments against customers' contracts	6,337,727	
Income taxes payable	2,740,628	
Principal instalments due within one year on long-term liability	232,015	$14,427,123
PROVISION FOR CONTINGENCIES		450,000
DEFERRED CREDIT:		
Income tax reductions applicable to future years		2,490,000
LONG-TERM LIABILITY:		
Liability on purchase of Crown assets, payable in annual instalments to July 27, 1966, with interest at 5% per annum	$ 928,059	
Less Principal instalments due within one year included under current liabilities	232,015	696,044

Shareholders' Equity

CAPITAL STOCK:

Authorized:

50,000 $2.00 non-cumulative participating Class A shares without par value

10,000 Class B common shares without par value

Issued: 32,000 Class A shares 10,000 Class B common shares	$ 306,000	
RESERVE FUND	9,000,000	
RETAINED EARNINGS	6,355,796	15,661,796
		$33,724,963

et book value. These assets are reflected above at their original cost to the affiliated

lf of the Board.

G. J. MICKLEBOROUGH, Director

Report

as at December 31, 1962 and the statement of income and retained earnings for the procedures and such tests of accounting records and other supporting evidence as we

ined earnings present fairly the financial position of the company as at December 31, n generally accepted accounting principles applied on a basis consistent with that of

THORNE, MULHOLLAND, HOWSON & McPHERSON
Chartered Accountants

THE DE HAVILLAND AIRCRAFT OF CANADA, LIMITED

Statement of Income and Retained Earnings

Year ended December 31, 1962

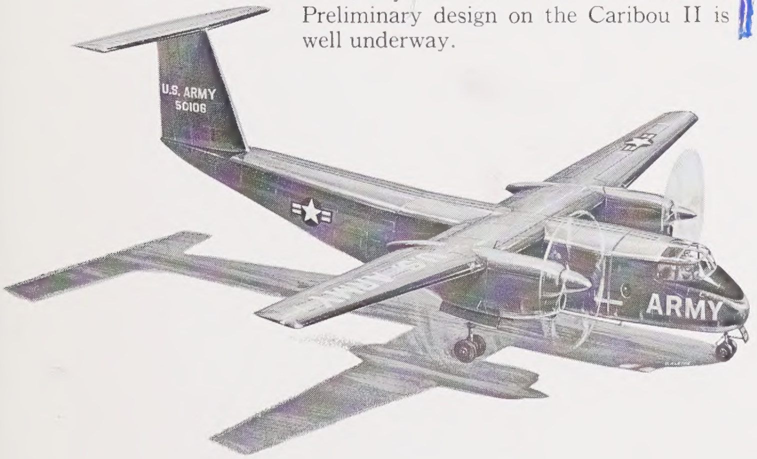
Profit from operations before the items shown below		$7,203,159
Deduct:		
Depreciation	$1,190,694	
Remuneration of directors, including fees and contributions to pension fund	148,564	
Interest on long-term liability	19,335	1,358,593
Income before undernoted taxes		$5,844,566
Taxes on income		2,950,000
Net income for year		$2,894,566
Retained earnings at beginning of year		3,461,230
Retained earnings at end of year		$6,355,796

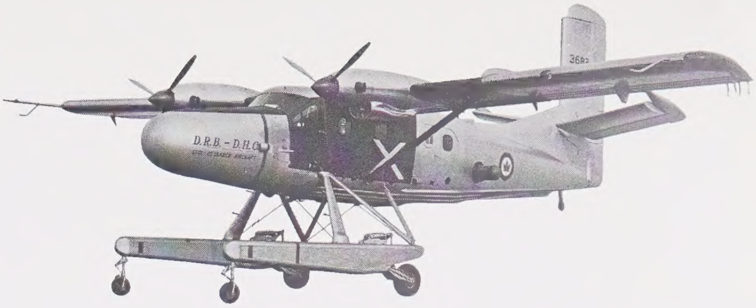
DOWNSVIEW PLANT The main plant (Downsview, Ontario) has an area of 670,000 square feet; it houses the company's executive and administrative offices, main production facilities, and test flying operations. The purchase in 1962 of the Avro Aircraft plant at Malton (see right) comprising an area of about 1,700,000 square feet will give added strength to the company's present and future aircraft programs.

Mark 2

DHC - 7

CARIBOU 2 — CV-7A In July 1962, Dr. Finn Larsen, Assistant Secretary R. & D. U.S. Army, announced that D.H. Canada had won a design competition for a 5-ton S.T.O.L. tactical transport. This new Caribou (Mark II) evolved from the very successful Caribou I, will be turbo powered and feature an enlarged fuselage. It will accommodate a ¾ ton truck, the Pershing Missile System and the 105 mm Howitzer. Preliminary design on the Caribou II is well underway.

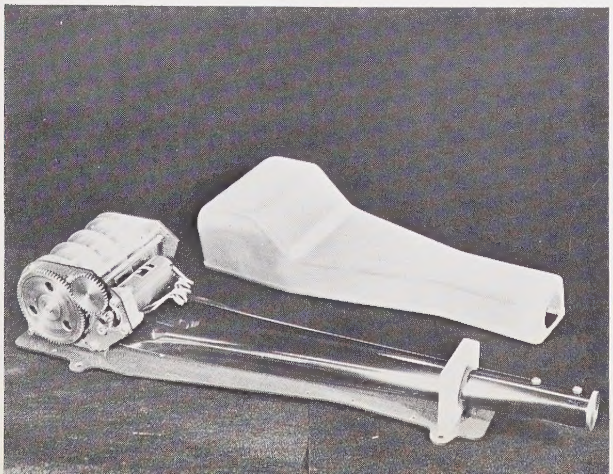




STOL OTTER The Otter was chosen as an experimental vehicle for S.T.O.L. research and development being undertaken by the company in co-operation with the Defence Research Board of Canada. At a gross weight of 8,000 lbs., speeds as low as 48 m.p.h. have been obtained by means of reverse thrust in combination with slip stream deflection. In the latest version two Canadian made P. & W. PT. 6 turbo-propeller engines of 550 hp each are fitted to a standard Otter wing. A flight test program is continuing to further improve on the very favourable results of the first test program.

DHC - 5

MALTON PLANT During the year de Havilland purchased the Avro and CAR divisions of Hawker Siddeley Canada Ltd. The CAR (Canadian Applied Research) acquisition is providing urgently needed space to accommodate the stepped-up production of STEM and other devices in the electronics, optics, infrared and related arts. Under its new designation SPAR (Special Products and Applied Research) activities have been expanded to include aircraft/missile/satellite structure and sub-systems, and a diversified range of engineering services to both aviation and industry.



STEM DHC was prominent in space activity during 1962, with the Special Products Division's STEM (Storable Tubular Extendible Member) Device contributing significantly to a number of space research programs. STEM devices were included in the Mercury, "Man in Space" project and in the DHC constructed "Alouette" satellite now in orbit. Pictured is a STEM antenna for Mercury. DHC has also produced the antenna system for the Gemini two-man space capsule.

Alouette Satellite equipped with de Havilland STEM antenna